

## Message Text

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PAGE 01 JIDDA 01141 091523Z  
ACTION NEA-10

INFO OCT-01 EUR-12 ISO-00 SS-15 SP-02 EB-08 INR-07 NSC-05  
CIAE-00 /060 W

-----091842Z 110974 /40 S

R 091450Z FEB 77

FM AMEMBASSY JIDDA

TO SECSTATE WASHDC 7236

INFO AMEMBASSY ABU DHABI

AMEMBASSY NEW DELHI

AMEMBASSY DOHA

AMEMBASSY KUWAIT

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY TEHRAN

AMCONGEN DHAHRAN

C O N F I D E N T I A L JIDDA 1141

E.O. GDS

TAGS: ENRG, SA, FR, IN

SUBJECT: SAUDI OIL SALES AND PRICE POLICY

REF: JIDDA 0481 (NOTAL), JIDDA 1028 (NOTAL)

1. PETROMIN MARKETING DIRECTOR KHURAYJI TOLD  
EMBOFFS FEB 8 THAT SAG IS REFERRING REQUESTS FOR NEW OIL  
PURCHASES TO ARAMCO PARTNERS, BUT NOT "MATCHING"  
INDIVIDUAL CUSTOMERS AND SUPPLIERS AS REPORTED BY PRESS.  
HE CONFIRMED THAT 8.5 MILLION B/D PRODUCTION LEVEL WILL  
BE USED AS BASE FROM WHICH TO COMPUTE INCREMENTAL  
SUPPLIES TO BE SOLD BY ARAMCO PARTNERS, AND NOTED THAT  
MIN PETROL WILL MONITOR AND CONTROL ARAMCO OIL SALES  
CLOSELY. COMMENT: THIS LAST STATEMENT DETRACTS  
CONSIDERABLY FROM KHURAYJI'S EARLIER DENIAL THAT  
SAG IS PRE-APPROVING ARAMCO PARTNERS' CUSTOMERS  
FOR NEW OIL SUPPLIES.

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PAGE 02 JIDDA 01141 091523Z

2. TWO-TIER PRICE SYSTEM WILL BE TEMPORARY PHENOMENON,  
ACCORDING TO KHURAYJI, ASSUMING SHAH IS SERIOUS IN  
HIS STATED DESIRE TO COMPROMISE. HE SAID RECENT  
TOUR BY QATARI OPEC CHAIRMAN (WHOM HE CHARACTERIZED  
AS "STUPID") WAS LARGELY EFFORT TO GET OPEC MEMBERS  
TO AGREE TO DISCUSS COMPROMISE POSSIBILITIES.

COMMENT: SAG'S PUBLIC REJECTION OF QATARI COMPROMISE  
PROPOSAL WOULD INDICATE HOWEVER THAT SAG HAS FELT  
NEED TO KILL PRESS SPECULATION THAT COMPROMISE IS  
UNDERWAY ON BASIS OF 10 PERCENT HIKE THROUGHOUT 1977 END  
COMMENT

3. KHURAYJI CONFIRMED THAT FRENCH OIL DEAL IS FOR  
242,000 B/D (JIDDA 699) TOTALLING 262.5 MILLION  
BBL OVER THREE YEARS. PRESS REPORTS OF 292.5 MILLION  
BARREL DEAL, HE SAID, WERE IN ERROR. OIL WILL BE  
SPLIT BETWEEN CFP AND ERAP ON BASIS OF ARRANGEMENTS  
INTERNAL TO THE JOINT COMPANY WHICH THEY HAVE ESTABLISH-  
ED FOR THIS PURPOSE.

4. KHURAYJI CONFIRMED THAT, AS LONG AS DUAL-PRICING  
SYSTEM LASTS, PETROMIN IS NOT ACCEPTING NEW CUSTOMERS  
NOR EVEN NEGOTIATING WITH OLD ONES SUCH AS INDIAN  
OIL COMPANY (WHICH HAS BEEN UNABLE TO NEGOTIATE  
TOWARD RENEWAL OR EXPANSION OF 1.1 MILLION TONS/YEAR  
CONTRACT WHICH EXPIRED END 1976). THERE IS NO  
PROBLEM CONCERNING AVAILABILITY, OR PRICE ADVANTAGE  
IN ANY CASE, ACCORDING TO KHURAYJI; PLENTY OF OIL  
WILL BE AVAILABLE FOR SALE FROM ARAMCO PARTNERS,  
WHO WILL BE SELLING ONLY AT PRICES APPROVED BY SAG.  
PORTER

NOTE BY OC/T: DISSEMINATION PER S/S-O, MR. STEINER, 2/9/77.

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## Message Attributes

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**Disposition Approved on Date:**  
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**Disposition Date:** 22 May 2009  
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**Review Markings:**  
Margaret P. Grafeld  
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